

STATEMENT OF PURPOSE

RS20309

The purpose of this amendment to existing law pertaining to the taxation of parts installed in connection with the remodeling, repair or maintenance of aircraft is to create new, good paying jobs at Idaho businesses specializing in repair and maintenance of large business jets by eliminating the disadvantage an Idaho business has competing with similar businesses located in states that do not impose taxes on parts installed on large, turbine powered aircraft owned by non residents. This change in Idaho law will make the taxation of parts installed on qualifying aircraft owned by non residents consistent with the taxation of parts installed as components of aircraft manufactured in Idaho and sold to non residents, as well as repair or replacement parts installed on aircraft in commercial use. This Act does not change the taxation of parts installed on aircraft owned by Idaho residents.

FISCAL NOTE

In 2010, sales taxes in the amount of \$164,082 was collected for parts installed by Idaho technicians licensed by the FAA on non-resident owned turbine powered aircraft in excess of 12,500 pounds. If this amendment becomes law, in the following 12 months, Western Aircraft will add 12 full time employees at an average annual salary of \$50,000. According to the Idaho Department of Labor, jobs added in the large aircraft repair industry have an earnings multiplier of 1.59, so each \$50,000 job generates \$29,500 of additional earnings in the local economy. Therefore, the annual earnings benefit of the 12 additional jobs is \$354,000, or more than twice the lost tax revenues. In addition, with passage of this Act Western Aircraft expects to add a total of up to 100 employees over the next five years, generating annual earnings benefit of \$2.95M. Additionally, capital investment will coincide with revenue growth, beginning with a \$1M support facility in 2012.

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